

UNITED STATES CIVIL SERVICE COMMISSION
BUREAU OF RETIREMENT AND INSURANCE

REPORT OF PROGRESS ON
THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM
June 3, 1960

On June 1, 1960, the initial enrollment of employees in health benefits plans being offered under the Federal Employees Health Benefits Program began. The Commission considers this time opportune to issue the third report on its implementation of the Federal Employees Health Benefits Act of 1959.

There are 38 separate health benefit plans participating in the program. These include two Government-wide plans, 15 plans sponsored by Federal employee organizations, and 21 plans of the comprehensive medical type. In the Commission's judgment, all participating plans provide benefits commensurate with their premium rates.

Since its March 3, 1960 Report of Progress, the Commission has pushed forward in all its areas of responsibility for the Health Benefits Program. Some highlights of its activities follow:

HEALTH BENEFIT PLAN BROCHURES

The Commission, in cooperation with the carriers concerned, has prepared informational brochures on all of the 38 participating plans. A combined total of almost 15,000,000 copies of the brochures has been reproduced. Except for a small quantity retained as stock to take care of emergency needs, these brochures have been distributed to agencies for dissemination to Federal employees stationed throughout the world.

To provide equal treatment of carriers and to facilitate comparison of plans by employees, the brochures have been prepared in as uniform a format as possible. Each brochure, objectively, as clearly as possible, and without sales talk, sets forth the benefits offered by the particular plan. In type of equal size, and side by side with the benefits, it describes the limitations and the exclusions.

Strict adherence to the standard format and clear language principle had an effect on the contract negotiations which were going on at the same time the brochures were being written. As the benefits, limitations, and exclusions of the plans were laid bare in the draft brochures, under a "PLAN PAYS -- YOU PAY" formula, carrier after carrier reconsidered

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the benefits actually being offered. In many cases, when the contract was exposed to this "flood light" treatment, the benefits were improved and contract language that defied interpretation was made unambiguous. More than one carrier was still reconsidering his contract at the time printer's proof of the brochure on his plan was being prepared.

As a supplement to the brochures, the Commission has prepared and distributed to agencies for their employees a list of participating plans. Agencies have been instructed to post the list on employing office bulletin boards in addition to distributing it to each employee with his copies of the brochures. The reverse side of this list suggests to employees some of the factors they should take into consideration in selecting a health benefits plan.

Special note is made here of the truly remarkable efforts the Government Printing Office put forth to reproduce and help distribute these and other informational or instructional materials needed for the new program. Without the cooperation of the Government Printing Office and the individual employees involved in the printing and distribution, the tight deadlines necessary could not have been met.

ENROLLMENT, ACCOUNTING, AND REPORTING PROCEDURES

The Commission estimates that during the June 1 - June 30 enrollment period, 1,800,000 Federal employees and 2,200,000 of their dependents will take advantage of one or another of the plans offered. Four Standard Forms have been developed to permit efficient handling of this huge enrollment and the administration of the accounting and reporting phases of the program. A combined total of 7,500,000 copies of the forms have been reproduced and, again except for a reserve supply, all have been distributed to agencies. Detailed procedural instructions were prepared simultaneously with the forms and have been issued to agencies through the medium of Departmental Circulars.

To accomplish this task, the Commission staff had to devise procedures, forms, and instructions capable of meshing together almost 2,000 Government payroll offices, some 10,000 employing offices, and 38 carriers. The procedures, forms, and instructions also had to anticipate countless different situations sure to arise in any program involving the personal circumstances, choice, and action of 2,000,000 persons and members of their families.

During the development of these forms, procedures, and instructions, many group meetings and individual consultations were held with representatives of agencies and participating carriers, to obtain counsel and agreement.

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DISTRIBUTION OF INSTRUCTIONAL AND INFORMATIONAL MATERIALS

The Commission estimates that it has distributed through Government channels to agencies and employees throughout the world over 25,000,000 pieces of informational or instructional materials concerning the health benefits program.

Normal methods of distribution by the Commission and agencies were not suitable for dissemination of these materials. A master mailing list which included the headquarters of all segments of the Federal Government was not in existence. Further, the distribution pattern had to vary for different items.

For example, the brochures on the Government-wide plans had to be distributed to every eligible employee. Each comprehensive medical plan brochure could be distributed only to employees working or residing in the geographic area serviced by that plan. There are 21 comprehensive medical plans with 21 different geographic service areas. The brochure for each employee organization plan could be distributed by the Government only to members of that organization -- except that each employing office had to stock brochures of any employee organization plan if their employees were eligible to join the sponsoring organization.

Under these circumstances the distribution system had to be capable of a shotgun approach to reach all Federal installations in every corner of the globe. It also had to provide for a rifle approach to reach small installations which, again, were located in many areas of the world.

TRAINING

In April, the second phase of the Commission's training program on health benefits was held. This phase dealt with the specific benefits to be offered by the various plans and with the enrollment procedures. A 4-day intensive indoctrination was given the Commission's Regional Health Benefit Representatives. They then conducted a one-day session for representatives of agencies in the Washington, D. C. area and then returned to their respective regions to hold similar sessions for field installation representatives. These representatives, in turn, conducted counselling sessions for employees within their own establishments.

To assist in this training and counselling operation, the Commission's staff developed a variety of aids. Among these were summaries of all participating health benefit plans, visuals, tests, and question and answer sheets.

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REGULATIONS

On April 2, 1960, the Commission published in the Federal Register the regulations governing the Health Benefits Program. Prior to their publication the Commission had sought, received, and considered advice and comment from a variety of sources. This advice and comment resulted in many perfecting and two significant changes. The significant changes are:

- . Reemployed annuitants are not excluded from enrollment in a health benefit plan solely on the basis of such reemployment. They may enroll if they are not excluded by any provision of the regulations which would exclude other employees.
- . After the open period of October 1 through 15, 1961, during which all eligible employees may belatedly enroll or change their enrollment, open periods will be held not less often than once every three years.

INFORMED CHOICE OF PLANS

The Federal Employees Health Benefits Act of 1959 requires that "The Commission shall make available to each employee eligible to enroll in a health benefits plan under the Act such information ... as may be necessary to enable such employee to exercise an informed choice among the types of plans"

The Commission believes that this requirement of the law also voices a Congressional intent that employees should be permitted to make a choice free from emotional appeal or sales talk. To this end the Commission has included in its regulations a provision requiring the carrier of a participating plan to agree not to advertise his plan or solicit enrollment of employees other than in accordance with instructions of the Commission.

The Commission has also stated its policy with respect to an agency's function in the counselling of employees on selection of a plan: The Commission has outlined the agencies' counselling responsibilities as limited to

- . Familiarizing employees with the program in general
- . Answering questions about the application of specific provisions of the Act, the regulations, and the brochures to particular circumstances.

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CONTRACTS

The long and arduous job of negotiating contracts with the participating carriers continued through most of the period of time covered by this report. To date, contracts have been signed for the Government-wide Indemnity Benefit Plan, the Government-wide Service Benefit Plan, and the Group Health Association Plan of Washington, D. C. The remaining contracts are expected to be signed before July 1.

Prior to final Commission approval of the two Government-wide contracts, the Commission retained Milliman and Robertson, Inc., a nationally recognized firm of consulting actuaries, to study the rates and benefit structures of the two plans, and give an independent, unbiased opinion as to whether the rates of the plans, as required by law, "reasonably and equitably reflect the cost of the benefits provided" and are "consistent with the lowest schedule of basic rates generally charged for new group health benefit plans issued to large employers." The report, prepared by Wendell Milliman, founder and president of the firm, found that both plans met these requirements of the law authorizing the program.

In the contract negotiations the Commission's staff placed paramount the interests of the Federal employees and the Government. The staff negotiated on the basis that the rich benefits the law specifies must be provided show an intention on the part of Congress to afford Federal employees the type of real protection they should have and which most employees do not now have. The Commission's staff also proceeded on the assumption that the carriers must give for the employee-Government dollar every possible benefit.

This attitude has resulted not only in benefits which are unique or rarely found in other plans, but also in the risk charge, the only item of potential carrier profit, being limited to 1.5 cents on each premium dollar for the Blue Cross-Blue Shield and 1.3 cents for each premium dollar for the Aetna Life Insurance Company. Because Aetna must cede reinsurance to other group health insurance companies two-tenths of a cent of each premium dollar is also set aside to cover the reinsurers expense allowance. This attitude also resulted in setting the maximum cost of administration of each Government-wide plan at 5.5 cents for each dollar with a requirement for strict accounting for these expenses. Thus, more than 90 cents of each premium dollar will be set aside to pay for benefits used by employees enrolled in the two Government-wide plans.

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IN GENERAL

No other legislation enacted for the benefit of Federal employees in recent years has aroused such keen and widespread interest as the Federal Employees Health Benefits Act of 1959.

Even before the Commission announced the approval of the two Government-wide plans on March 31, it was bombarded by requests for information from innumerable sources. Foreign governments, large unions, private industry, educators, state and local governments, insurance companies, and individuals flooded the Commission with requests for information on the program. This interest has continued to increase.

The job that remains to be done now is the huge one of assuring that the systems devised to operate the program function as intended. The Commission, the agencies, and the carriers will keep alert to detect any "bugs" that develop and will take action to eliminate them.

There also is the continuing task of evaluating the program in the light of the experience which will be gained during the first 16-month contract period. What changes in the program the Commission may make administratively or may recommend to the Congress cannot, of course, be predicted now. But, if changes in operation or in the basic legislation become necessary, they will be made or advocated by the Commission.

The Commission believes that employees could not have been enrolling in health benefit plans today if the agencies, the carriers, and others had not cooperated as wholeheartedly as they have done.